

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**ELAND ENERGY, INC.
AI # 31820**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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* **Enforcement Tracking No.**
* **AE-CN-03-0247**
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* **Docket No. 2003-11575-EQ**
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SETTLEMENT

The following Settlement is hereby agreed to between Eland Energy, Inc. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation which operates an oil and gas production and commingling facility at Chalkley Field Production Facilities, located approximately 10.5 miles east of Sweet Lake, in Cameron Parish, Louisiana ("the Facility").

II

On October 14, 2003, the Department issued a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. AE-CN-03-0247, to Respondent, which was based upon the following findings of fact:

The Respondent owns and/or operates the Chalkley Field Production Facilities, consisting of oil and gas production wells and a commingling facility, located approximately 10.5 miles east of Sweet Lake, in Cameron Parish, Louisiana. The facility currently operates under Air Permit No. 0560-00117-00, issued on July 28, 1995.

On or about June 6, 2003, an inspection of the Respondent's facility was performed to determine the degree of compliance with the Act and Air Quality Regulations. The following violations were noted during the course of the inspection:

- A. The Respondent added the following pieces of equipment prior to obtaining a permit modification:

Equipment	Location
60 HP Compressor	Commingling Facility
Glycol Dehydrator – Burner Stack 1 MM BTU/hr	Commingling Facility
Glycol Dehydrator – Still Column	Commingling Facility
Glycol Dehydrator – Burner Stack 1.25 MM BTU/hr	Commingling Facility
Glycol Dehydrator – Still Column	Commingling Facility
Oil Storage Tank 400 bbl	Commingling Facility
Oil Storage Tank 400 bbl	Commingling Facility
Oil Storage Tank 400 bbl	Commingling Facility
Oil Storage Tank 400 bbl	Commingling Facility

The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in emission of air contaminants prior to approval from the permitting authority is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- B. The Respondent was not keeping records of gas production, nor submitting annual gas production reports to the Department. The last annual gas production report submitted to the Department was in 1996. These are violations of Specific Condition No. 1 of Air Permit No. 0560-00117-00, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. The Respondent was not keeping records of condensate throughput, nor submitting annual condensate throughput reports to the Department. The last annual condensate report was submitted to the Department in 1996. These are violations of Specific

Condition No. 2 of Air Permit No. 0560-00117-00, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

III

In response to the Consolidated Compliance Order & Notice of Potential Penalty, Respondent made a timely request for a hearing.

IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

V

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of FIVE THOUSAND AND NO/100 DOLLARS (\$5,000.00), of which TWO HUNDRED FIFTY AND NO/100 DOLLARS (\$250.00) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VI

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order & Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VII

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VIII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

IX

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Cameron Parish . The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

X

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services

Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

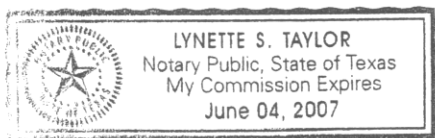
ELAND ENERGY, INC.

BY: Thomas H. Hilton
(Signature)

Thomas H. Hilton
(Printed or Typed)

TITLE: Wye operation

THUS DONE AND SIGNED in duplicate original before me this 29th day of
February, 20 05, at Dallas, Texas.



Lynette S. Taylor
NOTARY PUBLIC (ID # 00825049-3)

Lynette S. Taylor
(Printed or Typed)

STATE OF LOUISIANA
Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

BY: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 4th day of
April, 20 05, at Baton Rouge, Louisiana.

Randall S. Beard
NOTARY PUBLIC (ID # 27771)

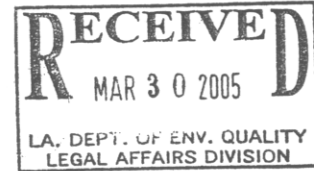
Randall S. Beard
(Printed or Typed)

Approved: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005



March 18, 2005

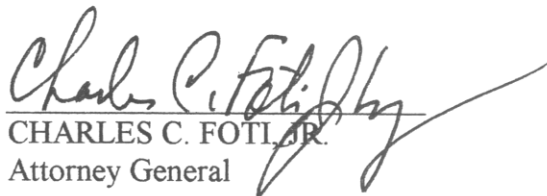
Mr. Herman Robinson, Executive Counsel
La. Department of Environmental Quality
Legal Affairs Division
P.O. Box 4302
Baton Rouge, LA 70821-4302

Re: AG Review of DEQ Settlement;
Eland Energy, Inc.
AE-CN-03-0247

Dear Mr. Robinson:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By: 
CHARLES C. FOTI, JR.
Attorney General

CCF/mlc